

Message Text

CONFIDENTIAL

PAGE 01 FRANKF 01346 181528Z
ACTION EUR-12

INFO OCT-01 ISO-00 NSA-01 AID-05 CIAE-00 COME-00 EB-08
FRB-03 INR-07 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04
CEA-01 L-03 H-01 /086 W
-----181847 095900 /46

R 181450Z FEB 77
FM AMCONSUL FRANKFURT
TO SECSTATE WASHDC 7232
INFO AMEMBASSY BONN
AMEMBASSY BERLIN
AMEMBASSY LONDON
AMEMBASSY MOSCOW

C O N F I D E N T I A L FRANKFURT 1346

E.O. 11652: GDS
TAGS: EFIN, EEWT, UR
SUBJ: WESTERN BANKERS STILL INTERESTED IN \$200 MILLION LOAN TO IBEC

REF: BERLIN 5283

1. SUMMARY: ALTHOUGH NEGOTIATIONS FOR A \$200 MILLION SYNDICATED EUROLOAN TO THE COMECON INTERNATIONAL BANK FOR ECONOMIC COOPERATION (IBEC) HAVE BROKEN DOWN OVER IBEC'S LEGAL STATUS IN GREAT BRITAIN, WESTERN BANKERS ARE STILL BULLISH ON IBEC CREDITWORTHINESS, AND ARE STILL INTERESTED IN THIS PROFITABLE BUSINESS. A GERMAN BANKER FEELS IT IS UP TO THE IBEC TO FIND A SOLUTION. END SUMMARY.

2. THE FRANKFURT-BASED BANK OF AMERICA MANAGER FOR EASTERN EUROPE CONFIRMED THAT THE BREAKDOWN OF THE \$200 MILLION SYNDICATED EURO-LOAN TO IBEC UNDER HIS BANKS LEAD WAS BASED SOLELY ON A JURIDICAL POINT, AND IN NO WAY REFLECTS UPON THE CREDITWORTHINESS OF THE IBEC.

3. THE BANK OF AMERICA OFFICIAL ALSO DISCLAIMS ANY DIFFERENCE OF OPINION BETWEEN THE BANKING SYNDICATE AND IBEC, AS WAS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 FRANKF 01346 181528Z

REPORTED IN THE PRESS. HE STATED THAT THE MANAGEMENT FEES AND THE 1 1/4 PERCENT ABOVE LIBOR RATE REPRESENT AN ATTRACTIVE PIECE OF BUSINESS, AND THAT THE IBEC WAS SATISFIED WITH THE 1 1/4 PERCENT ABOVE LIBOR RATE AS WELL. THE LOAN TO HUNGARY AT 1 1/8 PERCENT ABOVE LIBOR, WHICH WAS CONSUMMATED WHILE THE IBEC LOAN WAS BEING NEGOTIATED, WAS SAID NOT TO BE A COMPLICATING FACTOR.

4. AS TO WHY THIS SOUGHT-AFTER TRANSCATION FOUNDERED ON A TECHNICALITY, THE BANK OF AMERICA MANAGER EXPLAINED THAT THE QUESTION OF THE IBEC'S VALIDITY AS A CONTRACTUAL PARTNER UNDER BRITISH LAW EMERGED FROM THE ADVICE OF BANK OF AMERICA LEGAL STAFF, REINFORCED BY THE OPINION OF AN INDEPENDENT LEGAL CONSULTANT FROM A LEADING BRITISH UNIVERSITY. THE BANK OF AMERICA OFFICIAL WENT ON TO SAY THAT SIMILAR LEGAL OPINIONS WERE SOLICITED IN THE CASE OF BOTH THE FIRST AND SECOND SYNDICATED LOANS TO THE IIB (COMECON INDUSTRIAL INVESTMENT BANK) FOR THE ORENBURG PIPELINE PROJECT. NO POSSIBLE LEGAL IMPAIRMENT WAS RAISED ON EITHER OCCASION. BASED ON: (A) DIFFERENT SETS OF CIRCUMSTANCES SURROUNDING THESE TRANSACTIONS; AND (B) IIB'S BEING STRUCTURED SOMEWHAT DIFFERENTLY FROM THE IBEC.

5. THE BANK OF AMERICA REPRESENTATIVE STRESSSED THAT THIS LOAN IS BY NO MEANS A DEAD ISSUE; HE EXPECTS THE CREDIT TO EVENTUALLY GO THROUGH EITHER IN ITS SYNDICATED FORM, OR ON A BANK-TO-BANK BASIS. THIS VIEW IS CONSISTENT WITH THE ASSESSMENT CONTAINED IN BERLINS 5283. ACCORDING TO THE BANK OF AMERICA SOURCE, THE LOAN COULD STILL GO THROUGH IN ITS SYNDICATED FORM IF: IBEC WERE EITHER SLIGHTLY RESTRUCTURED OR REGISTERED IN LONDON.

6. A GERMAN BANKING COURSE (DEUTSCHE GENOSSENSCHAFTSBANK) AGREES THAT THE LOAN ARRANGEMENT DID IN ALL LIKELIHOOD FOUNDER ON A LEGAL TECHNICALITY RATHER THAN ON ANY LAST-MINUTE DESIRE OF THE WESTERN LENDERS TO RETREAT FROM THE DEAL. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 FRANKF 01346 181528Z

HE SEES THE ARRANGEMENT AS ATTRACTIVE, PARTICULARLY IN VIEW OF THIS OWN BANKS CO-MANAGEMENT OF A RECENT LOAN TO HUNGARY AT 1 1/8 PERCENT OVER LIBOR. HE DOES NOT, THEREFORE, UNDERSTAND THE RAISING OF THE LEGAL POINT BY THE SYNDICATE. HIS VIEW IS THAT THE BALL IS NOW IN IBEC'S COURT--THAT IBEC COULD OVERCOME THE LEGAL IMPEDIMENT BY AS SIMPLE AN ACTION AS APPOINTING A LEGAL RECEIVER IN LONDON THAT COULD ACT ON IBEC'S BEHALF IN CONTRACTUAL MATTERS. BLAKE

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EAST WEST TRADE, BANK LOANS
Control Number: n/a
Copy: SINGLE
Sent Date: 18-Feb-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977FRANKF01346
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770059-0082
Format: TEL
From: FRANKFURT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770228/aaaaayrw.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8ea57cc4-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 BERLIN 5283
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3284388
Secure: OPEN
Status: NATIVE
Subject: WESTERN BANKERS STILL INTERESTED IN \$200 MILLION LOAN TO IBEC
TAGS: EFIN, EEWT, UR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/8ea57cc4-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009